

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF HOUSING POLICY DEVELOPMENT**

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September 29, 2025

Arron Brown, City Manager  
City of Canyon Lake  
31516 Railroad Canyon Road  
Canyon Lake, CA 92587

Dear Arron Brown:

**RE: City of Canyon Lake Failure to Adopt a Compliant 6<sup>th</sup> Cycle Housing Element  
– Letter of Inquiry**

The purpose of this letter is to inquire about the status of the City of Canyon Lake's (City) 6<sup>th</sup> cycle planning period housing element pursuant to Government Code section 65588, subdivision (e). The 6<sup>th</sup> cycle planning period for the City is October 15, 2021, through October 15, 2029.<sup>1</sup> The City failed to adopt a compliant housing element by its 6<sup>th</sup> cycle due date of October 15, 2021. Therefore, the City is out of compliance with Housing Element Law.<sup>2</sup>

The California Department of Housing and Community Development (HCD) issued a letter to the City on February 7, 2025, finding the City's draft housing element had met most of the statutory requirements of Housing Element Law.<sup>3</sup> However, the housing element cannot be found in substantial compliance until the City has completed its necessary rezones; specifically, the City's commitment to complete Program 1.2b (Rezone Program on Mixed-use Sites within the TCSP) to rezone sites to accommodate the Regional Housing Needs Allocation (RHNA) pursuant to Government Code section 65583.2, subdivisions (h) and (i).

HCD's February 7, 2025, letter noted HCD had reviewed Ordinance Number 222 to rezone sites within the TCSP and determined the ordinance did not meet statutory requirements. Specifically, the zoning did not meet requirements related to nondiscretionary review for housing developments with 20 percent affordability, minimum density (20 dwelling units per acre for Canyon Lake), residential performance standards, including allowing 100 percent residential development, among other requirements.

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<sup>1</sup> Gov. Code, § 65588, subd. (e)(3).

<sup>2</sup> Article 10.6 (commencing with section 65580) of Chapter 3 of the Government Code.

<sup>3</sup> Findings Letter Available at <https://www.hcd.ca.gov/housing-open-data-tools/housing-element-download-tool>.

HCD is requesting the City provide a revised and specific timeline for (1) completing necessary rezones, (2) adopting the housing element and rezones, (3) submitting rezone documentation and a copy of the adopted housing element to HCD for review, and (4) obtaining compliance with Housing Element Law, no later than [October 29, 2025](#).

## **6th Cycle Housing Element Submission and Review History**

HCD records are as follows:

- On October 8, 2021, the City submitted an initial draft housing element to HCD for review.
- On December 7, 2021, HCD issued a findings letter to the City noting multiple revisions necessary for the housing element to be substantially compliant with Housing Element Law.
- On February 15, 2022, the City submitted a housing element adopted on February 9, 2022, to HCD for review.
- On April 15, 2022, HCD issued a second findings letter to the City noting revisions were still necessary for the housing element to be substantially compliant with Housing Element Law.
- On August 19, 2022, the City submitted a housing element which was adopted on August 8, 2022, to HCD for review.
- On October 18, 2022, HCD issued a third findings letter to the City noting multiple revisions were still necessary for the housing element to be substantially compliant with Housing Element Law.
- On May 19, 2023, HCD issued a Letter of Inquiry to the City regarding noncompliance with Housing Element Law. The letter requested the City, by June 19, 2023, provide a specific timeline for (1) submitting an updated draft housing element and (2) obtaining compliance with Housing Element Law.
- On May 22, 2023, HCD received a letter response from the City mentioning the City's previous challenges with finding a consultant and stated it had recently hired Rincon to assist with several phases of the housing element process. The letter did not provide an exact date for the City's next submission, but assured HCD the City was prioritizing its housing element progress.
- On January 5, 2024, the City submitted a housing element which was adopted on August 8, 2022, to HCD for review.
- On March 4, 2024, HCD issued a fourth findings letter to the City noting multiple revisions were still necessary for the housing element to be substantially compliant with Housing Element Law.
- On June 28, 2024, the City submitted a subsequent draft housing element to HCD for review.
- On August 27, 2024, HCD issued a fifth findings letter to the City noting multiple revisions were still necessary for the housing element to be substantially compliant with Housing Element Law.
- December 17, 2024, the City submitted a subsequent draft housing element to HCD for review.

- On February 7, 2025, HCD issued a sixth letter noting that the housing element addressed most statutory requirements but could not be found in substantial compliance until necessary rezones were completed.
- As of the date of this letter, the City has not submitted rezone documentation or a copy of its adopted housing element to HCD since receiving HCD's February 7, 2025, findings letter.

### **AB 1398, Statutes of 2021**

Please note, pursuant to Assembly Bill 1398 (Chapter 358, Statutes of 2021), if a jurisdiction fails to adopt a compliant housing element within one year from the statutory deadline, its housing element cannot be found in compliance until any rezones necessary to accommodate the jurisdiction's RHNA are completed. Once the City completes the rezone, a copy of the resolution or ordinance should be transmitted to HCD. HCD will review the documentation and issue correspondence identifying the updated status of the City's housing element compliance.

### **Consequences of Noncompliance**

Consequences apply if the City does not have a housing element in substantial compliance with Housing Element Law. First, noncompliance results in ineligibility or delay in receiving state funds that require a compliant housing element as a prerequisite, including, but not limited to, the following:

- Permanent Local Housing Allocation Program
- Local Housing Trust Fund Program
- Infill Infrastructure Grant Program
- Senate Bill 1 Caltrans Sustainable Communities Grants
- Affordable Housing and Sustainable Communities Program

Second, under the Housing Accountability Act, jurisdictions that do not have a substantially compliant housing element are subject to the Builder's Remedy.<sup>4</sup>

In addition, jurisdictions that do not have a compliant housing element may face additional legal ramifications, including referral of the City to the Attorney General's Office for its violations of state law.<sup>5</sup> Further, state law provides for court-imposed penalties for persistent noncompliance, including enhanced financial penalties. Government Code section 65585, subdivision (l)(1), establishes a minimum fine of \$10,000 per month, up to \$100,000 per month for jurisdictions that fail to comply with a court order to bring its housing element into compliance. If a jurisdiction remains noncompliant, a court may multiply those penalties by a factor of three and then six, depending on the duration of the continued noncompliance.<sup>6</sup>

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<sup>4</sup> Gov. Code, § 65589.5, subds. (d)(6), (f)(6), and (h)(11).

<sup>5</sup> Gov. Code, § 65585, subds. (i)(1)(A) and (j).

<sup>6</sup> Gov. Code, § 65585, subds. (l)(2) and (3).

Finally, in any action brought by the Attorney General or HCD to enforce the adoption of housing element revisions, jurisdictions are subject to additional fines of between \$10,000 and \$50,000 per month for each violation, accrued from the date of the violation until the date the violation is cured, including investigation costs, expert fees, attorneys' fees, costs, and any other relief the court deems appropriate.<sup>7</sup> If a jurisdiction fails to comply after six months from the imposition of fees, the court may also appoint a receiver.<sup>8</sup>

## Conclusion

HCD recognizes that, ultimately, state housing laws are effective only with the cooperation of local governments and understands staffing and resource constraints that may hinder efforts to gain compliance. HCD also acknowledges the City's measurable effort towards achieving compliance in cooperation with HCD. However, housing elements, and the timely implementation thereof, are essential to developing a blueprint for growth and are a vital tool to address California's prolonged housing crisis. Accordingly, state law has established clear disincentives for local jurisdictions that fail to comply with Housing Element Law. To meet the 6<sup>th</sup> cycle update requirements for a substantially compliant housing element, the City must complete its required rezones, adopt its housing element and rezones, and submit the rezone documentation and a copy of the adopted housing element to HCD for review and certification before it can be considered compliant.<sup>9</sup>

If you have any questions or would like to discuss the content of this letter, please contact Sydney Sloan of our staff at [Sydney.Sloan@HCD.ca.gov](mailto:Sydney.Sloan@HCD.ca.gov).

Sincerely,



Fidel Herrera  
Section Chief, Housing Element Implementation  
Housing Accountability Unit

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<sup>7</sup> Gov. Code, § 65009.1, subd. (a).

<sup>8</sup> Gov. Code, § 65585, subd. (l)(3)(B).

<sup>9</sup> Gov. Code, § 65585, subds. (b)-(h).